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STATE AND LOCAL GOVERNMENT COLLECTIVE BARGAINING SETTLEMENTS, 1990

Major collective bargaining settlements reached for state and local government workers in 1990 provided wage rate adjustments that were about the same as those specified in the contracts they replaced, the U.S. Department of Labor's Bureau of Labor Statistics reported today. The Bureau's series on major settlements in state and local government covers collective bargaining units with 1,000 workers or more.

Wage and compensation rate adjustments

Major collective bargaining settlements in 1990, covering about 920,000 state and local government workers, provided average wage-rate adjustments of 4.9 percent in the first contract year and 5.0 annually over the life of the contract. The last time parties to these settlements negotiated--typically in 1988 or 1989--they agreed to wage-rate adjustments (increases, decreases, and freezes) that averaged 5.0 percent in the first contract year and 5.1 percent a year over the contract life.

Seventy-three percent of the 920,000 state and local government workers under settlements were employed by local governments. Their wage-rate adjustments averaged 5.0 percent in the first contract year and 5.2 percent annually over the contract term. Corresponding averages for state government settlements were 4.7 percent and 4.2 percent.

Settlements in education (primarily for teachers, but also for administrators and service employees) covered 52 percent of the workers under contracts reached in 1990. They provided wage-rate adjustments of 5.4 percent in the first contract year and 5.5 percent annually over the contract term. Settlements for general government and administration, covering 31 percent (287,000) of the workers, provided average wage-rate adjustments of 4.4 percent in the first contract year and 4.2 percent annually over the contract term.

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The Bureau also measures adjustments in rates of compensation (wages and benefits) in settlements covering 5,000 workers or more in state and local government. Such settlements in 1990 provided compensation rate adjustments averaging 5.1 percent both in the first contract year and annually over the contract life. These settlements covered 481,000 workers, 52 percent of those under all major state and local government settlements in the period.

State and local government settlements negotiated in 1990 had an average duration of 21 months. However, 393,000 workers (43 percent) were covered by contracts of 12 months or less.

Compensation cost adjustments

In addition to data on rate adjustments, the Bureau compiles data on adjustments in employers' costs for employee compensation under settlements covering 5,000 workers or more. Compensation cost adjustments include specified (guaranteed) lump-sum payments and reflect both the size and timing of compensation rate adjustments. (See Explanatory Note for a more detailed description of the cost series.)

Settlements covering 5,000 workers or more reached in 1990 called for compensation cost adjustments averaging 4.2 percent a year over the life of the contract. (See table 7.) These settlements were for 481,000 workers, 52 percent of those under all major settlements in state and local government in 1990.

Adjustments in employer costs for cash payments to workers (including wages and lump-sum payments) averaged 4.0 percent a year over the life of the contract, as did adjustments in wages alone. (None of the 1990 settlements specified lump-sum payments.) Adjustments in benefit costs averaged 4.4 percent a year over the contract term.

Compensation cost adjustments under settlements in local government (covering 311,000 workers) averaged 5.1 percent a year over the contract term, compared with 2.6 percent under settlements in state government (covering 169,000 workers).

Effective wage rate adjustments

In addition to data on adjustments under settlements, the Bureau compiles information on wage rate adjustments effective under all major agreements (those covering 1,000 workers or more) in force during the reference period. Effective wage rate adjustments cover all workers under major agreements. They include agreements providing changes--from settlements during the period, from earlier

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settlements with changes deferred to the period, and from cost-of-living adjustment (COLA) clauses--and agreements providing no wage change.

Effective wage rate adjustments in 1990 averaged 4.6 percent for all 2.6 million state and local government workers under major agreements. The adjustments averaged 4.6 percent for workers under local government agreements, compared with 4.7 percent for those under state government agreements.

About 2.2 million workers had wage increases that averaged 5.5 percent. The remainder had no wage change. No workers suffered a wage cut.

The following tabulation shows, for 1990, the average total effective wage rate adjustment and the average change by source (in percent) for state and local government workers covered by major collective bargaining agreements:

	For all workers (prorated)	For workers receiving wage changes
Total	4.6	5.5
Settlements in period	2.0	6.3
Deferred adjustments	2.6	4.8
COLA	1/	1.8

1/ Less than 0.05 percent

COLA clauses are designed to adjust wages to reflect changes in consumer prices. The size of the adjustment depends on the formula used to relate wage changes to price changes (based on the Bureau's Consumer Price Index--CPI), the timing of COLA reviews, and possible limitations on the amount of COLA change.

Of the 107,000 workers that had COLA reviews in 1990, 70,000 had COLA-triggered wage increases which averaged 1.8 percent. The remaining workers had no wage change, largely because changes in the CPI were insufficient to trigger one.

Bargaining activity, first half of 1991

Some 1,135,000 workers are under 251 major agreements that are slated to expire or reopen for wage negotiations during January-June 1991. In addition, there are about 482,000 workers under 133 major contracts that had expired or been reopened, but had not been renegotiated or ratified prior to December 31, 1990. Of the 1.6 million state and local government workers who may be involved in bargaining during the first half of 1991, about 51 percent are employed by local governments.

About 550,000 workers are scheduled to receive deferred wage increases averaging 3.4 percent during the first half of 1991. These increases will be made under provisions of agreements negotiated earlier. About 160,000 workers are scheduled for COLA reviews during the first 6 months of the year; 64 percent are covered by contracts negotiated with California in 1988 or 1989.

EXPLANATORY NOTE ABOUT THE DATA

This release covers major collective bargaining units--those with 1,000 workers or more--in state and local government. The collective bargaining units are limited to those in which (1) a labor organization is recognized as the bargaining agent for a group of workers and settlements are embodied in signed, mutually binding collective bargaining agreements; and (2) at least wages are determined by collective bargaining. BLS is aware of 682 such units covering 2.6 million workers.

Comparisons of major collective bargaining settlements for state and local governments with those for private industry should note differences in occupation mix, bargaining practices, and settlement characteristics. Professional and other white-collar employees, for example, make up a much larger proportion of the workers covered by government than by private industry settlements. Lump-sum payments and cost-of-living adjustment (COLA) clauses, on the other hand, are less common in government than in private industry settlements. Also, state and local government bargaining frequently excludes items, such as pension benefits and holidays, that are prescribed by law; these items are typical bargaining issues in private industry.

Settlements data

Wage and compensation rate adjustments: The major collective bargaining settlements series on adjustments in wage and compensation rates estimates how much these rates will be adjusted (increased, decreased, or left unchanged) from existing rates as a result of collective bargaining settlements reached during specified reference periods. For each settlement, the series measures the percent difference between average rates just prior to the start of the new contract and average rates that would exist at the end of the first 365 days of the new contract (first-year measure) and at its expiration date (over-the-life measure). The over-the-life measure is expressed as an annual average adjustment reflecting the compounding of changes during the contract term.

The measures of compensation rate adjustments reflect changes in: Straight-time pay for time worked; premium pay for overtime, weekend, holiday, and shift work; paid leave; life, health, and sickness and accident insurance; pension and other retirement plans; severance pay; and legally required benefits. Lump-sum payments--which are not part of the ongoing rate structure--are excluded.

Compensation cost adjustments: The compensation cost adjustment series includes in the compensation package specified lump-sum payments and reflects both the size and timing of compensation rate changes. For an individual settlement, the cost of specified lump-sum payments per work hour is computed by dividing the total amount of the lump sum by the total number of work hours over the contract term. The timing of changes in the compensation rate is reflected by multiplying each hourly rate of compensation by the number of hours it is to be paid during the contract. The products are summed and the total is divided by the number of work hours over the contract term. The result plus the cost of lump-sum payments per work hour is the estimated average cost of compensation per work hour over the term of the contract. The **cost adjustment** is the percent difference between the average cost under the settlement and the average cost under the expiring agreement just before it was renegotiated.

The following example illustrates the differences in the compensation rate and cost series. Two settlements raise compensation from $10 an hour to $10.50 an hour over a one-year term. One makes the increase immediately; the other delays it for six months. The rate series looks at the difference between compensation just before the settlement and compensation at the expiration of the new contract and computes the percent change. Thus, it measures both settlements as providing a 5-percent ($.50/$10) compensation rate increase over their one-year terms.

The cost series measures the increases as follows: Under the settlement with the immediate increase, an employee who works 2,000 hours over the year would cost the employer $21,000 (2,000 hours at $10.50). This is an increase of 5 percent over the $20,000 (2,000 hours at $10) the employer would have paid had the old agreement been continued. Under the settlement with the delayed increase, however, the cost would be $20,500 (1,000 hours at $10 and 1,000 hours at $10.50), an increase of 2.5 percent. In this way, the cost series reflects how costs over the contract term are influenced by changes during the contract term which are not reflected by the rate series.

For a more detailed description of the new compensation cost series and how it compares with the compensation rate series, see Alvin Bauman, "A New Measure of Compensation Cost Adjustments," *Monthly Labor Review*, August 1990, pp. 11-18.

Both the rate adjustment and cost adjustment series on settlements exclude potential changes resulting from COLA clauses that depend upon future changes in the CPI unknown at the time of settlement. Conversely, "guaranteed" COLA amounts (those specified when the agreement was reached and scheduled to be implemented later) are included in settlement calculations because they are not tied to subsequent price movements. Similarly, the cost adjustment series excludes contingent lump-sum payments (rarely found in government agreements) such as those tied to future productivity increases, but includes lump-sum payments guaranteed by the settlement.

Estimates of rate adjustments and cost adjustments are based on the assumption that conditions existing at the time of settlement (e.g., composition of the labor force or methods of funding pensions) will remain constant over the life of the contract.

The average adjustment for all settlements in a period is computed by multiplying the percent adjustment in each settlement by the number of workers covered, adding the products, and dividing the sum by the total number of workers under the settlements. This procedure also is used in computing effective wage rate adjustments, which relate to all contracts in force during the period.

Effective wage rate adjustments data

Effective wage rate **adjustment** data for the reference period cover all contracts in force, regardless of whether they had increases, decreases, or no change in wage rates. Effective wage rate **change** data cover only those contracts in which wage rates changed. These changes stem from settlements in the period, from agreements reached earlier with changes deferred to the period, and from COLA clauses. (Although not all wage changes from COLA clauses are incorporated into the wage rate, they are included in the effective wage-rate change measure.)

Wage changes under COLA clauses are based on changes in the Consumer Price Index specified in the contract for a designated review period.

Data for 1990 are preliminary and may be revised if additional information is obtained. Final data will be available in Spring 1991.

Additional historical information is available from the Office of Compensation and Working Conditions, Bureau of Labor Statistics, Washington, D.C. 20212.

Data on private industry agreements, which are collected separately, were released on January 29, 1991.

Major state and local government collective bargaining settlement data for the first 6 months of 1991 will be released in August 1991.

RATE ADJUSTMENTS UNDER SETTLEMENTS

Preliminary

Table 1. Average (mean) wage and compensation (wage and benefit costs) adjustments1/ in state and local government collective bargaining settlements, 1990.
(in percent)

Measure	First-year adjustments2/	Annual adjustment over life of contracts3/	Number of workers (000's)
Wage adjustments:			
Settlements covering 1,000 workers or more:			
All state and local government	4.9	5.0	920
State government	4.7	4.2	249
Local government	5.0	5.2	671
Government function			
General government and administration	4.4	4.2	287
Education	5.4	5.5	480
Primary and secondary	5.5	5.5	441
Colleges and universities	4.2	5.3	39
Protective services	4.1	4.8	91
Health services	4.7	5.0	34
Transportation	2.5	3.6	20
Other4/	4.4	4.4	9
Compensation adjustments:			
Settlements covering 5,000 workers or more:			
All state and local government	5.1	5.1	481
State government	4.4	3.9	169
Local government	5.4	5.8	311
Government function			
General government and administration	4.2	3.8	166
Education	6.2	6.2	236
Protective services	4.2	5.1	50
Other5/	2.7	3.6	28

1/ Includes increases, decreases, and freezes. Excludes lump-sum payments and potential changes from COLA clauses.

2/ Adjustments under settlements reached in the period and effective within 12 months of the contract effective date.

3/ Adjustments under settlements reached in the period expressed as an average annual (compound) rate over life of contract.

4/ Includes units in sanitation and recreation.

5/ Includes units in health services and transportation.

NOTE: Because of rounding, sums of individual employment items may not equal totals.

RATE ADJUSTMENTS UNDER SETTLEMENTS

Preliminary

Table 2. First-year wage adjustments1/ in state and local government collective bargaining settlements covering 1,000 workers or more, 1990.

Measure	All state and local government	State government	Local government
Total number of workers (in thousands)	920	249	671
Percent of workers			
All settlements	100	100	100
No wage change	6	3	7
Decreases	0	0	0
Increases	94	97	93
Under 2 percent	1	0	1
2 and under 4 percent	23	42	16
4 and under 6 percent	42	33	46
6 and under 8 percent	20	6	25
8 and under 10 percent	7	15	4
10 percent and over	2	2	2
Adjustments (in percent):			
Mean adjustment	4.9	4.7	5.0
Median adjustment	5.0	4.0	5.5
Mean increase	5.2	4.8	5.3
Median increase	5.0	4.0	5.5

1/ See notes 1 and 2, table 1.
NOTE: Because of rounding, sums of individual items may not equal totals.

RATE ADJUSTMENTS UNDER SETTLEMENTS

Preliminary

Table 3. Annual rate of wage adjustments1/ over the life of the contract in state and local government collective bargaining settlements covering 1,000 workers or more, 1990.

Measure	All state and local government	State government	Local government
Total number of workers (in thousands)	920	249	671
Percent of workers			
All settlements	100	100	100
No wage change	1	1	1
Decreases	0	0	0
Increases	99	99	99
Under 2 percent	3	6	2
2 and under 4 percent	16	29	11
4 and under 6 percent	57	55	58
6 and under 8 percent	19	4	24
8 percent and over	5	5	5
Adjustments (in percent):			
Mean adjustment	5.0	4.2	5.2
Median adjustment	5.0	4.0	5.5
Mean increase	5.0	4.3	5.3
Median increase	5.0	4.0	5.5

1/ See notes 1 and 3, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

RATE ADJUSTMENTS UNDER SETTLEMENTS

Preliminary

Table 4. Annual rate of compensation (wage and benefit costs) adjustments1/ in state and local government collective bargaining settlements covering 5,000 workers or more, 1990.

Measure	All state and local government	State government	Local government
Total number of workers (in thousands)	481	169	311
First-year adjustments2/			
Percent of workers			
All settlements	100	100	100
No change	2	0	3
Decreases	0	0	0
Increases	98	100	97
Under 2 percent	1	0	2
2 and under 4 percent	31	66	12
4 and under 6 percent	27	16	33
6 and under 8 percent	30	0	47
8 percent and over	9	18	3
Adjustments (in percent):			
Mean adjustment	5.1	4.4	5.4
Median adjustment	4.9	3.5	6.1
Mean increase	5.2	4.4	5.6
Median increase	5.2	3.5	6.1
Adjustments averaged over life of contract3/			
Percent of workers			
All settlements	100	100	100
No change	0	0	0
Decreases	0	0	0
Increases	100	100	100
Under 2 percent	1	3	0
2 and under 4 percent	26	63	6
4 and under 6 percent	38	31	42
6 percent and over	35	3	52
Adjustments (in percent):			
Mean adjustment	5.1	3.9	5.8
Median adjustment	5.1	3.5	6.1
Mean increase	5.1	3.9	5.8
Median increase	5.1	3.5	6.1

1/ See note 1, table 1.
2/ See note 2, table 1.
3/ See note 3, table 1.

NOTE: Because of rounding, sums of individual items may not equal totals.

RATE ADJUSTMENTS UNDER SETTLEMENTS

Preliminary

Table 5. Average wage adjustments1/ in state and local government collective bargaining settlements covering 1,000 workers or more by duration of contract, 1990.

Measure	Contract duration						
	All contracts	12 months or less	More than 12 and less than 24 months	24 months	More than 24 and less than 36 months	36 months	More than 36 months
Number of settlements	277	100	23	74	22	47	11
Number of workers (in thousands)	920	393	43	212	83	159	31
Average duration (months)	21.4	11.9	14.6	24.0	28.6	36.0	38.9
Percent wage adjustment in:							
First contract year	4.9	4.7	5.3	4.6	6.8	4.9	3.1
Second contract year2/	5.0	-	.9	4.6	5.1	6.4	5.0
Third contract year3/	4.5	-	-	-	.2	6.1	7.5
Average annual percent wage adjustment over life of contract	5.0	4.8	5.0	4.6	5.2	5.8	5.1

1/ See note 1, table 1.
2/ Average is based only on settlements with a duration greater than 12 months.
3/ Average is based only on settlements with a duration greater than 24 months.

RATE ADJUSTMENTS UNDER SETTLEMENTS

Table 6. Wage and compensation adjustments[1] in state and local government settlements, 1984 - 1990.

Measure	Average percent adjustment						
	1984	1985	1986	1987	1988	1989	1990[2]
Wage adjustments: (settlements covering 1,000 workers or more)							
All state and local government							
First year[3]	4.8	4.6	5.7	4.9	5.1	5.1	4.9
Annual over the life[4]	5.1	5.4	5.7	5.1	5.3	5.1	5.0
State government							
First year[3]	3.6	4.8	6.3	4.1	5.3	5.0	4.7
Annual over the life[4]	3.8	4.9	6.0	4.2	5.0	4.7	4.2
Local government							
First year[3]	5.4	4.4	5.3	5.3	5.0	5.2	5.0
Annual over the life[4]	5.9	5.7	5.6	5.5	5.5	5.4	5.2
Compensation adjustments: (settlements covering 5,000 workers or more)							
All state and local government							
First year[3]	5.2	4.2	6.2	4.9	5.4	5.1	5.1
Annual over the life[4]	5.4	5.1	6.0	4.8	5.3	4.9	5.1
State government							
First year[3]	4.3	4.8	6.8	4.3	5.3	4.9	4.4
Annual over the life[4]	4.0	4.8	6.0	4.3	4.9	4.6	3.9
Local government							
First year[3]	6.0	3.7	5.6	5.4	5.5	5.6	5.4
Annual over the life[4]	6.6	5.5	6.0	5.1	5.8	5.5	5.8

1/ See note 1, table 1.
2/ Preliminary.
3/ See note 2, table 1.
4/ See note 3, table 1.

COST ADJUSTMENTS UNDER SETTLEMENTS

Preliminary

Table 7. Percent distribution of workers under state and local government collective bargaining settlements covering 5,000 workers or more, by annual average (mean) adjustments in compensation costs over the life of the contract, and annual average (mean) adjustments in the cost of components, 1990

Measure	All state and local government	State government	Local government
Total number of workers (in thousands)	481	169	311
Mean adjustment (percent) in compensation cost	4.2	2.6	5.1
Percent of workers			
All settlements	100	100	100
No change	0	0	0
Decreases	0	0	0
Increases	100	100	100
Under 2 percent	16	41	2
2 and under 4 percent	36	47	31
4 and under 6 percent	29	12	38
6 percent and over	19	0	29
Mean adjustment (percent) in cost of components of compensation:			
Cash payments to workers	4.0	2.7	4.7
Wages	4.0	2.7	4.7
Benefits	4.4	2.2	5.6

NOTE: Because of rounding, sums of individual employment items may not equal totals.

EFFECTIVE WAGE RATE ADJUSTMENTS UNDER ALL MAJOR AGREEMENTS

Preliminary

Table 8. Average effective wage adjustments in state and local government collective bargaining agreements covering 1,000 workers or more, 1990.
(in percent)

Characteristic	Effective wage change for workers receiving change(s)	Total effective adjustments1/ (prorated over all workers)
All state and local government	5.5	4.6
Source:		
Current settlements	6.3	2.0
Prior agreements	4.8	2.6
COLA provisions	1.8	(2)
Government function		
General government and administration	4.9	4.4
Education	6.2	5.2
Primary and secondary3/	6.4	5.4
Colleges and universities4/	5.1	4.0
Protective services	5.8	4.2
Health services	5.4	4.5
Transportation	5.0	4.3
Other5/	4.2	2.1
State government	5.2	4.7
Source:		
Current settlements	6.8	1.0
Prior agreements	4.7	3.6
COLA provisions	0.0	0.0
Local government	5.7	4.6
Source:		
Current settlements	6.2	2.6
Prior agreements	4.8	1.9
COLA provisions	1.8	.1

1/ Includes increases, decreases, and no change in wages stemming from current settlements, agreements reached in a prior period, and COLA clauses.

2/ Value less than 0.05 percent.

3/ All are local except for one contract covering Hawaii's Board of Education and the state primary and secondary school teachers.

4/ All are state except for one contract covering Los Angeles County and employees of L.A. Community College.

5/ Includes units in construction, libraries, and building cleaning and maintenance services.

EFFECTIVE WAGE RATE ADJUSTMENTS UNDER ALL MAJOR AGREEMENTS

Table 9. Average effective wage adjustments in state and local government collective bargaining agreements covering 1,000 workers or more, 1984 - 1990.
(in percent)

Characteristic	1984	1985	1986	1987	1988	1989	1990[1]
Adjustments (prorated over all workers)[2]							
All state and local government	5.0	5.7	5.5	4.9	4.7	5.1	4.6
Source:							
Current settlements	1.9	4.1	2.4	2.7	2.3	2.5	2.0
Prior agreements	3.1	1.6	3.0	2.2	2.4	2.6	2.6
COLA provisions	[3]	[3]	[3]	[3]	[3]	[3]	[3]
State government	5.4	4.5	5.6	4.3	4.1	4.0	4.7
Source:							
Current settlements	1.2	2.8	2.3	1.5	1.8	2.0	1.0
Prior agreements	4.2	1.7	3.3	2.8	2.4	2.0	3.6
COLA provisions	[3]	[3]	[3]	[3]	[3]	0.0	0.0
Local government	4.7	6.5	5.4	5.3	5.1	5.9	4.6
Source:							
Current settlements	2.3	4.9	2.5	3.5	2.6	2.8	2.6
Prior agreements	2.4	1.6	2.9	1.9	2.4	3.0	1.9
COLA provisions	[3]	[3]	[3]	[3]	[3]	[3]	.1
Effective wage changes for workers receiving changes							
All state and local government	6.6	6.8	6.0	5.7	5.6	6.1	5.5
Source:							
Current settlements	6.6	6.9	6.7	6.0	6.2	6.3	6.3
Prior agreements	6.6	5.6	5.0	4.9	5.0	5.3	4.8
COLA provisions	1.4	1.7	1.0	1.2	1.4	1.5	1.8
State government	6.2	5.4	6.0	4.9	4.8	5.4	5.2
Source:							
Current settlements	4.6	4.9	6.8	4.3	5.2	5.0	6.8
Prior agreements	6.9	5.3	4.7	4.7	4.4	4.7	4.7
COLA provisions	[3]	.7	.2	.8	[3]	0.0	0.0
Local government	7.0	7.7	6.0	6.3	6.2	6.4	5.7
Source:							
Current settlements	7.7	8.1	6.7	6.9	6.8	7.3	6.2
Prior agreements	6.3	5.8	5.4	5.2	5.5	5.7	4.8
COLA provisions	1.4	2.0	1.4	1.3	1.4	1.5	1.8

[1] Preliminary

[2] Includes increases, decreases, and no change in wages stemming from current settlements, agreements reached in a prior year, and COLA clauses.

[3] Value less than 0.05 percent.

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